



**OFFICE OF
STATE TREASURER
DENISE L. NAPIER**

NEWS

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**Statement by State Treasurer Denise L. Nappier
RE: Stock Market & Connecticut Pension Fund**

***Pension Benefits
Not Affected***

While I am absolutely appalled by the increasing number of corporate scandals, it is essential that Connecticut pension fund beneficiaries understand that **the market downturn will not affect pension benefits**. The horror stories we've heard from around the country about individuals in corporate 401(k) plans losing their retirement savings will not happen with the state pension fund, because, unlike most corporate funds, it is a defined benefit plan, which guarantees retirees a benefit that is not tied to fund performance.

***Pension Fund
Sound & Secure***

The **overall soundness and integrity of the state pension fund has not changed**, notwithstanding recent market conditions. We have a well diversified asset allocation policy, developed by the Treasury and the Investment Advisory Council, which limits the pension funds overall exposure to market volatility and systemic weaknesses in any single company or industry. This policy is good for Connecticut taxpayers because it lessens the burden that could be placed on them to help fund any potential future shortfall in meeting the state's obligation to pay pension benefits.

***Performance of
Fund Among Best
in Nation***

Connecticut's pension fund is one of the best performing public pension funds in the country – in the top 14% over the past three plus years. During this period, **we have had investment returns of nearly \$1 billion**, which takes into consideration capital gains and losses plus dividends and income, and the fund has **paid out a net of \$1.7 billion in retirement benefits**.

***Greater
Accountability,
Responsibility,
Oversight Is
Essential***

The increasing number of corporate scandals underscores the need to strengthen shareholder rights, corporate accountability and regulatory oversight to **ensure responsible corporate behavior, an issue that I have been championing since I took office in January 1999**. As we have seen, when we don't pay attention to or punish bad corporate behavior, people lose their jobs, their retirement savings, or both. That's totally unacceptable. There must be a zero tolerance level for corporate behavior that is fueled by greed at the expense of shareholders, consumers, workers and the communities that companies rely on for business.

*Continuing
Advocacy for
Corporate
Responsibility*

I will continue the efforts I've undertaken at Disney, Stanley Works and scores of other companies and before regulatory agencies, and won't be deterred by resistance to reform. In addition, any company, including WorldCom and Enron, that violates its fiduciary responsibility and makes decisions that result in a loss of our pension fund assets can expect this Treasurer to **take whatever legal steps are necessary to recover our assets**. We've done so successfully, achieving the third largest class action settlement in U.S. history (\$457 million) in litigation with Waste Management, and more than \$700 million in recoveries following the scandal involving my predecessor.

*Outperforming
Stock Market and
Investment
Benchmark*

In this year's volatile market, through June 30, 2002, **the equity (stock) portion of our pension fund outperformed the stock market**, and our overall pension fund **outperformed our investment benchmark**. Comparing our total pension fund performance to the benchmark most representative of the fund's diversified holdings, we outperformed our benchmark by 261 basis points (or just over 2.5%), achieving an investment return of -3.90% compared to the -6.51% return for the benchmark. **The value of that out performance in dollar terms is \$520 million**. While the S&P 500 dropped 13 percent in this period, the equity (stock) portion of our pension fund portfolio lost 11 percent in asset value. Over the same period, other components of our pension portfolio had positive returns.

*Limiting Loss from
WorldCom
Collapse*

In the most recent corporate scandal involving WorldCom, the state's stock holdings managed by outside professional money managers were all sold back in May, well before the company collapsed. Selling the stock then, rather than holding it until now, has **saved the pension fund nearly \$5 million**. We were not completely insulated by WorldCom's decline, which began before we liquidated our stock holdings. Our investment loss was equivalent to less than one-tenth of one percent of our total pension fund portfolio – a net loss in our stock holdings of \$17.5 million over the past three and a half years.

*Restoring Investor
Confidence*

While we continue fighting for more accountability and responsibility, we also will continue to manage our pension fund portfolio effectively and professionally. At this volatile time, **effective, experienced, professional management is essential**, and because we have that management in place, our pension fund continues to be one of the best performing public pension funds in the country. We have **restored trust in the Connecticut State Treasury**, following the scandalous administration of my predecessor, and our corporations and political leaders in Washington must now follow our lead and do likewise. Only then will investor confidence in the market improve.